

**Nadeau-Drillen, Karen**


---

**From:** Van Note, Bruce  
**Sent:** Saturday, July 18, 2009 1:06 PM  
**To:** Doug Thomas  
**Cc:** Cole, David A; Dennis Damon; Edward J. Mazurek; Doyle, Karen; Josh Tardy; Sen. Kevin Raye; Kenneth & Mary Ellen; Savoy, Theresa; Nadeau-Drillen, Karen; Roy, Suzanne; Pennoyer, Grant; Friedman, Deborah  
**Subject:** Thomas Questions and DOT Answers-# 2

Rep. Thomas,

There are never too many questions; we welcome them. We think that the more people know about our situation, the more people understand the good results we've achieved, and the importance of the matter will only be highlighted. Much of the material in the answers below has been considered by the Committee several times over the years and this past session, so I apologize if it feels like replaying Committee work. In that regard, we are pleased that you consider our answers consistent over time; we hope most have concluded that is a result of straightforwardness, accuracy, and integrity.

Regarding your latest questions, I can answer in more detail next week if you'd like, but I know that you prefer quick responses. Again, your questions are in black, and our answers are in blue.

- 1) ***Should we consider changing LD 951 to free up some of the 19 million in cash to pay for maintenance?*** This is a policy matter, and there is much recent policy guidance on this issue. LD 951 was voted unanimous out of Committee, passed the Legislature, and just became law. This calls for using TransCap funds for projects that have an estimated useful life of at least 10 years – on projects like the preservation paving on built roads that your first set of questions (attached below) indicated we should increase. Further, the Highway budget language (LD 333, Part X-4) added on the last day of the session instructed the Committee to seek a solution to funding 600 miles of maintenance paving “without further impact of the TransCap Trust Fund”. This compromise was crafted to satisfy differing views, and I believe this concept was understood by the Legislature. I personally briefed both Republican caucuses on it. (In fact, I was honored to have been applauded in those caucuses.) In short, there is recent and explicit policy on this matter, though we all obviously understand that the Legislature can change it if it so chooses.
- 2) ***We completed \$43,898,141 of bridge projects in 2003 in 2008 there were \$152,294,639 worth of bridge projects completed can bridge projects be adjusted to allow a better balance of projects?*** Generally speaking, and as we discussed in Committee at length, you are correct that the level of bridge funding has increased significantly in response to policy guidance from both the Governor and the Legislature, and sound asset management principles. As you will recall, the increase in bridge funding was done in response to the “Keeping Bridge Safe” prepared after the Minnesota Bridge collapse, which killed several people and injured many more. The report, prepared by engineers from DOT, FHWA, the private sector and the university, called for an even more dramatic increase in bridge funding. In response, the Governor proposed, and the Legislature approved, 160 million in TransCap revenue bonds for bridges funded by fee increases. This will allow increased bridge funding for the next 4 years only (through FY13). After that, another solution will be needed. From an asset management perspective, something that is within MaineDOT's purview, we agree with this policy and we would not recommend any dramatic decrease in bridge funding, for obvious safety reasons and for the pragmatic reason that a single bridge failure can close an entire corridor. Regarding the specific bridge data you are referenced, we need to understand your source of data and

definitions to respond specifically. How you count delivery (advertised vs. spending) and time periods can make a difference. If you would like more specific data, please advise.

- 3) ***We keep hearing 200 “positions” were eliminated why does the personal service line keep growing? The equipment used in highway maintenance is more productive, office technology has improved productivity. Road mileage has been constant shouldn’t there be a savings in labor like we’ve seen in other industries?*** You keep hearing it because it is true, and not widely understood. MaineDOT has eliminated almost 200 positions over the last 5 years, representing about 9% of our former workforce. In the last budget alone (LD 333), we cut the equivalent of 115 full time positions, with a disproportionate impact on management and confidential positions. I believe, but have not confirmed, that this is the most of any state agency. We did this, in part, through the reorganization of our maintenance regions and plow routes, taking advantage of the increased range of plow trucks achieved through new snow fighting techniques (salt priority, etc.). We have also eliminated over 50 heavy trucks, reduced the number of maintenance regions, and taken many other actions. (Further bullets available on request). New Hampshire officials recently traveled to Maine to see how we achieved this and were reportedly “awed” by what they discovered. To answer your specific question, the Personal Services line keeps growing because increases in wages and benefits that are set through collective bargaining and Appropriations Committee action have been more than the savings achieved through the elimination of positions at MaineDOT. Looking at percentage increases alone do not provide proper context. If you looked at a bigger picture, you’d see that Personal Services at MaineDOT have grown about 34.1% over the last 10 years. This compares to 40.6% growth in all Highway Fund agencies, and 45.5% growth in the General Fund Personal Services line. Again, we know our quest for efficiencies will never end, but we think it would be fair to acknowledge progress. I know it would help morale here at MaineDOT, which in turn would improve productivity. To have worked hard to achieve these results, only to be publicly ridiculed, can be disheartening to some not accustomed to the legislative process. I understand and know it comes with the territory, but I can also definitively report that it’s hard to keep the efficiency momentum going in this environment. Perhaps a more constructive process with more explicit goals would help.
- 4) ***The total MDOT budget figures for 2009 I’ve seen are \$870,000,000 does that include the \$130 million in stimulus funds? How does that compare with previous years in total funds available?*** All \$130M in stimulus funds are considered delivered from a production standpoint in FY09 as they have been all advertised by June 30<sup>th</sup>. Project advertising represents the time the project is delivered from the public sector (MaineDOT) to the private sector (contractors). That is the date that contractors rely upon to base economic decisions like hiring and buying. From a budget perspective, most of the stimulus funds will not be expended until FY10, and some in FY11. Regarding total funds available, I may have to confirm this answer early next week, but my memory says all MaineDOT resources funds – which includes all funds (like bonding, and is therefore more than just the budget figures) for the FY10-FY11 biennium is about \$1.15 billion, and consists of a little over 40% Highway Fund, about a third federal funds, and about a quarter bonding. I can get you the comparison with FY08-FY09 next week, but GO bonding was down, TransCap bonding will be up principally due to the bridge initiative, Highway Fund down, and federal funds largely flat. The big picture you will see is that we continue to rely more and more on bonding, and even with almost \$20M in operational savings through efficiencies, we have dramatically less HF cash for capital use. For the entire FY10-FY11 biennium, the capital line of the capital programs – which can pay for things like MST – is down to about \$4.1 million. Moreover, I fear revenue reforecasting will eliminate even this small amount due to changing driving and car buying habits. Bonding is welcome, but it is ultimately unsustainable and will not solve the MST problem.

I know you will not hesitate to seek more information as you may desire. We stand willing and able

to respond.

Theresa – please forward to the entire Committee ASAP.

Best regards, Bruce

**From:** Doug Thomas [mailto:firewood@tds.net]

**Sent:** Saturday, July 18, 2009 6:34 AM

**To:** Van Note, Bruce

**Cc:** Cole, David A; 'Dennis Damon'; 'Edward J. Mazurek'; Doyle, Karen; 'Josh Tardy'; 'Sen. Kevin Raye'; 'Kenneth & Mary Ellen'

**Subject:** RE: Thomas Questions and DOT Answers

Good Morning all,

You have to give Bruce credit for staying on message. I hope I can ask some more questions.

- 1) Should we consider changing LD 951 to free up some of the 19 million in cash to pay for maintenance?
- 2) We completed \$43,898,141 of bridge projects in 2003 in 2008 there were \$152,294,639 worth of bridge projects completed can bridge projects be adjusted to allow a better balance of projects?
- 3) We keep hearing 200 "positions" were eliminated why does the personal service line keep growing? The equipment used in highway maintenance is more productive, office technology has improved productivity. Road mileage has been constant shouldn't there be a savings in labor like we've seen in other industries?
- 4) The total MDOT budget figures for 2009 I've seen are \$870,000,000 does that include the \$130 million in stimulus funds? How does that compare with previous years in total funds available?

I know I may have too many questions, but this is an important matter and we have some decisions to make that aren't going to be easy.

Thank you,

Rep. Doug Thomas

**From:** Van Note, Bruce [mailto:Bruce.VanNote@maine.gov]

**Sent:** Friday, July 17, 2009 2:55 PM

**To:** firewood@tds.net

**Cc:** Cole, David A; Dennis Damon; Edward J. Mazurek; Doyle, Karen

**Subject:** FW: Thomas Questions and DOT Answers

Rep. Thomas,

Below you will find the answers to your e-mail questions below. Your questions are shown in black, and our answers are shown in blue. Also, for further background, we have attached questions and answers on similar topic that your caucus (I believe Sawin Millett) posed towards the end of the session, which I believe were distributed to your caucus members.

***What the debt service for current Transcap Bonds?***

The estimated debt service for the three TransCap revenue bond issuances that have or will take place this year will be about \$18.6 million annually. These three TransCap bond issuances are as follows: \$50 M for Highway reconstruction issued in November 2008, \$105M for bridges issued this month, and \$30M for 10 year highway projects to be issued this fall.

Looking forward, in July 2011, we anticipate issuing the remained for the bridge bond, hopefully in the amount of \$55 M if revenue streams do not erode. That will bring annual debt service to about \$23.5 million.

***What's projected revenue going into Transcap?***

The projected revenues going into TransCap is an estimated \$37.5 million in FY10. The difference between projected

7/29/2009

revenue and debt service, about \$19 M in FY 11, will be used first to fund reserves required by the bond indenture, then for projects having an estimated useful life of at least 10 years pursuant to LD 951 (PL2009, chapter 411), which was unanimous out of Committee. Accordingly, it cannot be used for Maintenance Surface Treatment (MST) paving.

***Can more bonds be issued from Transcap and what is the process?***

The Legislature can do what it thinks best, whether it would be prudent to issue more TransCap bonds depends upon revenue streams, bond issuer requirements, and interest rates. Currently, the Legislature has approved \$240 million of TransCap bonding. All TransCap bond issuances require specific Legislative authorization. Further, the bond indenture typically requires that TransCap revenues be more than two times the debt service. This was done in an effort to get the lowest interest rate possible by having a rating in the AA category. With more bonding, interest rates would likely be higher. We are working with the Bond Bank to see what possibilities there are for ways to structure a bond sale that would be most advantageous to the State. The process would involve communicating with the Maine Municipal Bond Bank how much more bonding the Legislature desires, and evaluating the impacts. Of course, this will not resolve the MST problem, as the useful life of MST is less than the bond term.

***Where is the money going from the Bonds that will voted on in Nov. if they're approved?***

This will be used to support the Work Plan that was presented to the Committee in March, modified to reduce the level of multimodal projects that were included in the bond package. Again, the estimated useful life of projects supported by the bond should be at least 10 years (the bond term).

***How many employees took early retirement and what is the savings?***

Though a dynamic number, Human Resources tells us that currently 32 DOT employees have expressed an interest in the retirement program. There will undoubtedly be more people to identify their interest between now and August 15th. They have not determined if all of these individuals are indeed eligible or which date they will choose. This could generate Highway Fund savings (and less work) of about \$1.8 million. Given that most of these are front line workers, we are concerned about operational impacts of significantly more retirements given that MaineDOT has almost 200 fewer positions than it did 5 years ago. That is, this situation is likely not sustainable.

***Do we have projects paid partly by the Federal Government that qualify for Transcap funding of the state share that we are currently using cash to pay the state share?***

We have already planned to use TransCap as matching funds on federally eligible projects. In this regard, note that the total state Highway Fund cash for capital projects is only \$4.1 million for the entire biennium, and experience shows that falling revenue projections may impact this amount. That is, there's only about \$4 million of capital cash now, and it might be gone later.

***How many miles of the canceled paving projects were "built" roads?*** The MST paving program is targeted at "unbuilt" roads. However, some unbuilt Collector corridors do contain short built sections, and in some cases it is more efficient and cost-effective to continue MST over those rather than program a separate capital project to address pavement deficiencies.

***How do we get some of the built roads north of Augusta paved? (Those should be projects that last more than 10 years. Good examples are the road from Guilford to Greenville, and Route 7 from Dexter to Dover.)*** The Paving Preservation Program (PPP) is targeted at built roads, and we agree that we should be addressing them as well. The 10-11 Work Plan calls for about \$87 million on PPP projects. Obviously, if a new project is added (like the roads you list), something else won't get done. As you know, there are many examples of needs all across the State which far exceed the available resources.

Let me know if you have any further questions or concerns.

Bruce

Checked by AVG - [www.avg.com](http://www.avg.com)

Version: 8.5.375 / Virus Database: 270.13.17/2242 - Release Date: 07/17/09 06:08:00